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Third, the existence of foreign marketing problems calls for more effort, not less, on the part of all concerned with tobacco exports--producers, the trade, government agencies, and many other groups.

Let's look now at the details.

The overall U.S. agricultural export picture has been very encouraging in recent years. In the calendar year 1961, the value of U.S. farm exports topped the \$5-billion mark for the first time in the Nation's history. We set new export records for wheat, poultry meat, variety meats, hides, tallow, nonfat dry milk, canned fruit, and several other items. Shipments of tobacco, cotton, feed grains, rice, soybeans, and a number of other commodities were relatively large. The \$5-billion total represented 14 percent of cash receipts from U.S. farm marketings. The American farmer benefited directly from these shipments, of course. But he also benefited indirectly, because exports, in reducing the pressure on supplies, tended to strengthen domestic market prices.

Of the \$5-billion total, about \$3.5 billion, or almost 70 percent, represented sales for dollars. For tobacco, dollars sales amounted to 82 percent of total tobacco export marketings. The Department of Agriculture emphasizes sales for dollars. That's the normal, the permanent, the best way of doing business. Furthermore, dollar sales help to ease the currently unfavorable dollar balance position of the United States.

The other 30 percent of our exports--about \$1.5 billion worth--moved under special government programs, including sales for foreign currencies, barter, donations, and long-term credit. These special government operations, carried on largely under Public Law 480, are the backbone of the Food for Peace Program. Through Food for Peace our abundance is helping to combat hunger and promote economic development

in over 100 countries having a total population of over 1.3 billion. Food for Peace is the greatest mass feeding effort in the world's history, and all Americans can be proud of it.

That's an all-too-brief summary of our overall agricultural export program. But let's move on to tobacco.

U.S. exports of all types of unmanufactured tobacco totaled 500 million pounds in 1961. These shipments, which represented the leaf tobacco harvested on one out of every four acres, had a value of \$390 million--a new record. That's not all. Exports of manufactured tobacco products, largely cigarettes, had a value of close to \$110 million. Altogether, then, tobacco exports totaled \$500 million in 1961--10 percent of the value of all agricultural shipments. You can see why I said a little earlier that tobacco farmers have a big stake in foreign markets.

What is true for all tobacco also is true, of course, for flue-cured tobacco, which makes up such a big percentage of the total. The United States is the largest exporter of flue-cured tobacco. Shipments last year amounted to over 400 million pounds--more than a third of total flue-cured production. Exports of leaf were valued at \$320 million--while shipments of cigarettes, which contain a sizeable percentage of flue-cured--had a value close to \$100 million. The flue-cured tobacco industry obviously has a vital stake in maintaining a high volume of exports.

American flue-cured tobacco is sold in over 80 of the world's countries. But Europe is the big market. In 1961, Europe bought three-fourths of the flue-cured leaf exported by the United States. Because Europe is such a big customer, and because Europe is being influenced so much by the European Common Market, I want to spend considerable time here today in discussing some of the problems and promises growing out of this new trading area.

What is the European Common Market?

It is an area consisting, at present, of six countries -- France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg. These countries are in the process of taking down the trade walls that have separated them for hundreds of years. When the merger is completed, by 1970 or sooner, commerce among the Common Market countries will be carried on freely -- much as it is among the states of the United States. There will be no tariffs among member countries, and no restrictions on the movement between the countries of goods, capital, services, and workers. A common policy will apply to agriculture. The Common Market, as a unit, will have a single policy on imports from "outside" countries, including the United States.

Geographically, the Common Market is small. Both France and West Germany have smaller land areas than Texas. Belgium is only about a third as big as Pennsylvania. However, the Common Market has a population of over 170 million, a population approaching that of the United States.

Bear in mind, however, that the Common Market probably will expand. The application of the United Kingdom for full membership is now being considered by the Common Market. Ireland, Norway, and Denmark also have applied for membership. An agreement of association between Greece and the Common Market is in process of ratification. Turkey, Austria, Sweden, Switzerland, and Spain are seeking some form of association. Furthermore, the treaty establishing the Common Market recognizes traditional trade patterns of certain overseas countries and territories, most of them in Africa, with which the Common Market countries have had special links. The people in countries seeking membership or association, plus those in the overseas countries and territories, could bring the Common Market's population to over 300 million -- and an outlet, on the basis of 1961 exports, for about \$2.0 billion worth of U. S. farm products.

Emergence of this strong new trading area is one of the significant economic developments of this century -- perhaps of any century. It is a development, moreover, that the United States has supported. You will recall that U. S. Marshall Plan aid laid the groundwork, beginning in 1947, for European recovery and cooperation. Recovery and cooperation have been achieved -- with a bang -- in the Common Market. And, as a nation, we are sincerely glad that it has turned out this way. An economically strong Western Europe is a powerful buffer against the encroachment of Communism. Furthermore, a strong Western Europe provides additional resources with which to promote economic growth among the underdeveloped Free World nations. Finally, a strong Europe can become an expanding market for our American products.

It is inevitable, perhaps, that in seeking the greater good, the Common Market also may be creating some problems for its friends. The most complex of these problems center around trade, particularly trade in agricultural products.

United States support of the Common Market has been based on the assumption that the international trade policy of the area would be expansive, not restrictive. Actually, for a considerable number of our farm products, Common Market policies should encourage an expansion of trade. For several other major products, however, the policies being developed could restrict trade. Some of these are products in which American farmers have a big export stake.

In 1961, the six Common Market countries bought \$1.2 billion worth of U. S. farm products, about a third of the commodities we sold to the world for dollars.

For two-thirds of our exports to the existing Common Market area -- for items costing about \$700 million a year -- the outlook is good. Cotton, soybeans, and hides and skins are duty free, while on a number of other products, including fruits, vegetables, and tallow, to mention a few, we have been able to negotiate fixed tariffs. We stand a good chance of selling an increased volume of these products as the Common Market expands economically.

However, for the remaining 30 percent of our shipments to the area -- shipments that had a value of about \$500 million in 1961 -- the outlook is less favorable. Commodities posing the most difficult problems are wheat, corn, sorghum grain, rice, and poultry. On these items we are up against the Common Market's system of variable import levies. These levies will be used instead of fixed tariffs to offset the difference between world prices and desired price objectives of the Common Market. This is the kind of protection which lends itself to the promotion of self-sufficiency. Because of this danger, the United States Government has pressed the Common Market strongly to place limits on the level of protection given to these products -- or to adopt supplemental trade arrangements which would maintain our access to the market. We have made progress in that direction. The Common Market has kept the door open for continuing negotiations on the "problem" commodities. The Common Market recognizes fully that we will not sacrifice the hard-won trade gains that we have accomplished in past years -- and that we will continue to press most vigorously for arrangements which permit trade to flourish.

Tobacco poses some special problems.

The separate specific duties of the Common Market countries are scheduled to be replaced with a "common external duty." The Common Market originally proposed that this duty be established at 30 percent, ad valorem. The United States protested vigorously, because shifting from a specific to an ad valorem basis would have made the tariff fall with great weight on our high-quality, high-priced leaf.

The Common Market then proposed a 30 percent ad valorem duty with a 19.1 cent a pound maximum, and a 13.2 cent a pound minimum. That was somewhat better, because it at least fixed a ceiling on the ad valorem duty. But it still left this country at a great disadvantage with competing "outside" producers.

Accordingly, the United States pressed for further modification of the proposal. The Common Market then came down to a 28 percent ad valorem duty, with a maximum of 17.2 cents a pound and a minimum of 13.2 cents. That's where the schedule stands today.

The 4-cent spread between the maximum and minimum proposed external tariff rate gives our competitors outside the Common Market a considerable advantage over us. We produce a relatively high-priced tobacco, which means that it will be assessed at the maximum rate. On the other hand, competitive outside exporters -- Rhodesia, for example -- would be assessed at a lower rate, because their prices, and quality, are lower than ours. A handicap of as much as 4 cents a pound is hard to overcome under the competitive conditions that prevail in world tobacco markets today.

Furthermore, let's not forget competition from within the Common Market area itself. Greece and Common Market associated territories have been given duty-free entry for tobacco.

Although we are not satisfied with the final results of the tobacco tariff negotiations, the modifications of the original Common Market proposals have been helpful. The level of the ad valorem tariff was reduced and the spread between maximum and minimum was narrowed. The Common Market countries fully understand that we are not satisfied with the present tariff level on tobacco and that we expect further modification in future negotiations. The Common Market has indicated to us its willingness to "negotiate down" the present level.

This puts the spotlight squarely on the next round of negotiations and the bargaining strength we can carry to the bargaining table. We must be able to give concessions in exchange for concessions. There are some excellent opportunities for "horse trading." The Common Market countries, highly industrialized, want to sell us their manufactured items. We want to sell them our tobacco and other farm products, as well as manufactured goods we can produce efficiently. We believe, in other words, that swapping of concessions not only is possible, but also that it would be a good thing for all countries concerned.

Our present negotiating authority is inadequate. We have been negotiating under the Trade Agreements Act of 1934, which expires tomorrow, June 30. President Kennedy proposes to replace it with the Trade Expansion Act of 1962. This would authorize a program of increased flexibility and strength at the bargaining table. It would permit the United States to offer the Common Market and other countries with which we trade, deeper and broader tariff cuts than are now possible on their goods in exchange for concessions on U. S. goods, including tobacco and other farm products.

I think, speaking of concessions, that this is a good time for tobacco people to take a particularly close look at their stake in foreign trade -- to think about the advantages that have come to the industry through trade -- and to consider the gains that would come from expanded foreign trade. No other commodity would benefit more from the lowering of trade barriers in the markets of the world than tobacco. In assessing these benefits, tobacco people might consider the role of the United States as a tobacco importer. I mention imports because trade concessions must work both ways. We export three times as much leaf as we import. We might think of concessions on imports as a bargaining point for the lowering of foreign duties on our own leaf.

We need every bargaining tool we can find as we head into the future. Strong bargaining authority becomes doubly essential if the United Kingdom and other countries, such as Denmark, Norway, and Ireland are admitted to membership in the Common Market. The terms of U. K. membership in the Common Market are of special interest to U. S. tobacco growers. British Commonwealth tobacco growers -- principally Canada, India, and the Federation of Rhodesia and Nyasaland -- are the main competitors of U. S. leaf in the United Kingdom. They enjoy in the United Kingdom a "Commonwealth preference," that is, they pay a lower duty on tobacco than does the United States. The possible entry of the United Kingdom to the Common Market brings with it the question of whether Commonwealth producers will get preferential treatment in the Common Market. If competing Commonwealth producers were to come in on a duty-free or other preferential basis, American growers obviously would be badly hurt.

The United States has made it clear that discrimination against U. S. trade interests through the extension of Commonwealth preferential treatment in the Common Market would be vigorously opposed by this Government. At present, however, there is no indication that we will be faced with this problem.

I have dwelt on the problems. But let me also point out that there is much that is encouraging in the U. S. tobacco export situation as it relates to the Common Market and other Western European countries.

First of all, there is the Common Market's booming economy. People are working at good wages. They are enjoying luxuries that seemed almost completely out of reach only a few years ago. When I was in Europe in the early 1950's, I was impressed by the great number of motor scooters and bicycles on the streets. Today, Paris, Hamburg, Rome, and other European cities have automobile traffic problems about as bad as we have in our own cities. In the early 1950's, most Western Europeans subsisted on rather simple diets. Today they have upgraded those diets. They are eating more animal proteins, for example--meat, poultry, eggs, and milk--than ever before. Cigarette consumption, following the general trend, also is up--and it is expected to rise still further as population and wage rates rise. Consumption is expected to increase by at least 5 percent annually. Prosperity can reasonably be expected to mean a shift to better quality cigarettes. That, of course, will mean a wider use of American flue-cured and other cigarette tobaccos.

Second, the way is being cleared for movement within the Common Market of better quality cigarettes. In France and Belgium, dark cigarettes now dominate the market. In West Germany and the Netherlands, however, cigarettes of light tobaccos, much of it U.S. leaf, predominate. As barriers between the member countries are removed, there will follow a movement

of better quality cigarettes within the Common Market to France and Belgium. Good quality U.S. leaf should benefit from this shift in the pattern of smoking.

Third, there is the problem of blue mold in Italy, France, West Germany, Greece, and some other of Europe's tobacco producing countries. Blue mold is a particularly virulent type of fungus that has severely damaged European tobacco crops in the past two years. As tobacco producers yourselves, I am sure that you sympathize with the production problems your European counterparts face. Italy, a major tobacco producer, suffered a devastating attack of the disease last year. Italy's crop was under 60 million pounds, as compared with a 1955-59 average of about 170 million. West Germany was hit hard by blue mold in 1960, when the crop of 23 million pounds was less than half of the 1955-59 average. French production in 1961, at 82 million pounds, was down sharply. If blue mold is not soon controlled, European growers must decide whether to continue normal tobacco plantings or to shift to other crops. In the meantime, shortages of leaf tobacco in Europe must be made up by imports from the United States and other producing countries.

This about sums up the principal economic factors affecting U.S. tobacco shipments to the Common Market. All in all, it is a rather complex situation--and difficult to analyze. I wouldn't even attempt to analyze it in terms of probable or possible future exports. But the outlook is not darkly depressing. As a matter of fact, we can be "cautiously optimistic," I think, about long-term prospects.

What should be our response to the trade problems that face the tobacco industry in the Common Market and in other parts of the world?

I can answer this question in part with the story of the Swedish prospector who had an almost phenomenal ability to find large gold nuggets. His fellow prospectors, deeply envious, wanted to know how he did it. The old Swede wouldn't tell them a thing. One day, however, after several drinks of whiskey at the Long Branch, he let the secret out. He said, "I yoost keep on digging holes."

Like the Swede, we must keep busy if we are to gain our fair share of foreign markets. The more difficult the problems, the harder we must work. Now, certainly, is no time to relax our efforts.

I have already mentioned some of the directions we must take.

Maintenance and improvement of quality is absolutely essential. Our flue-cured tobacco can't be matched by any other producing country now. But I emphasize now. Our competitors are working hard -- especially in Rhodesia. They have comprehensive quality research programs in the mill and they are making headway. They are skillful, determined merchandisers who would naturally like to take over our markets. Production of flue-cured tobacco in Canada is on the upgrade. Canada also has a good quality research program underway.

We must have access to markets, as I have pointed out. I am very hopeful that the new tobacco negotiations will be fruitful, and our hopes will have more chance of realization if our negotiators are provided additional, flexible bargaining authority. The United States will continue to negotiate for liberalized trade all around the world in sessions connected with the General Agreement on Tariffs and Trade. Other steps will be taken. The Secretary of Agriculture has announced that he is appointing an Assistant Secretary of Agriculture to give leadership in Common Market trade policy matters and to serve as a focal point for all the Department's overseas marketing activities. Also, the Department is establishing a new agricultural

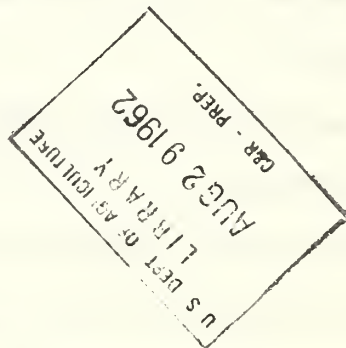
attache post in Brussels, the Common Market "capital," so that we may strengthen the excellent work already being done to keep in close touch with developments of interest to U. S. agriculture.

We must continue to work to build markets for our tobacco. In this connection, I want to recognize the fine work of Tobacco Associates and its cooperating groups -- the Leaf Tobacco Exporters Association and the Burley and Dark Leaf Tobacco Export Association. These trade groups, cooperating with the Foreign Agricultural Service under Public Law 480, have continued vigorously activities started five years ago. The able president of Tobacco Associates, J. B. Hutson -- your friend and mine -- reports solid progress. He says that in nearly all countries in which U. S. market development programs are being carried out, the use of U. S. flue-cured tobacco has shown gratifying gains. So far, the largest increases have been registered in Japan and Thailand.

Conditions are ripe for market development work. The world as a whole is in a period of economic development. The most rapid gains are being made in the Common Market, in other Western European countries, and in Japan. But economic development also is moving forward in many countries of Asia, Africa, and Latin America. As countries develop, as the economic "climate" improves, they become better potential customers for imported products, including tobacco.

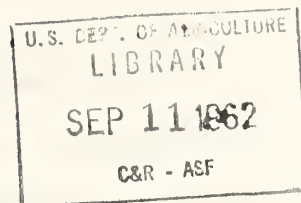
Yes, there is much work to be done. And I have every reason to think that the tobacco industry will exert the extra effort that the problems of the times require.

Bear in mind that tobacco exporting in this country has a long and favorable history. John Rolfe sent the first shipment of tobacco from America to England in 1612. In the three and a half centuries that have elapsed, tobacco exports have had their ups and downs. But exports have always ended on the "up"side. An industry that has weathered so many adverse circumstances over so many years will survive and prosper. I am supremely confident of that.



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LAND RESOURCES AND LIVING REQUIREMENTS

Remarks of Raymond A. Ioanes, Administrator, Foreign
Agricultural Service, U. S. Department of Agriculture,
at the Seventeenth Annual Meeting, Soil Conservation
Society of America, Washington, D. C., August 28, 1962

One of the deeply disturbing paradoxes of this age is hunger in many countries and burdensome food surpluses in others. This is not a problem that can be solved, as is often suggested, by shipping the surpluses to areas of need -- although that is part of the solution, certainly. The problem is complex, involving land resources, farming techniques, population trends, economic development, agricultural trade, cold war strategy, and related factors. It is a problem that will not be solved easily.

Sharpness of the contrasts between the food-deficit and the food-surplus countries was brought out by the Department of Agriculture last year in a definitive report on global food supplies, "The World Food Budget."

The report showed that for most of the 70 less-developed countries in the semi-tropical and tropical Southern Area, diets are nutritionally inadequate. In this area, comprising Latin America, Africa, West Asia, the Far East excluding Japan, and Communist Asia, there are shortages of proteins, fats, and calories. In this area, which now contains over 2.1 billion people, malnutrition is widespread and persistent. Nor is there much likelihood that the food situation will improve greatly at any time soon. Population growth will tend to cancel out gains in food availability.

On the other hand, in the 30 industrialized nations of the temperate Northern Area -- countries having a total population of 1.0 billion people -- diets are nutritionally adequate. These countries, because they can produce food or things that they can trade for food, have an assured food supply now and for the foreseeable future.

Contrasts like these are cause for the gravest concern. Abraham Lincoln said that "this government cannot exist half slave, half free." I don't believe that chronic malnutrition can exist indefinitely side by side with abundance. The food-short countries of the world have gained -- or are gaining -- political independence. With independence has come impatience with their lack of life's fundamentals, particularly with their lack of food. Impatient people do not always act wisely or thoughtfully. It is imperative, therefore, that the developed countries continue to help develop ways and means of increasing food availability of their less-fortunate Free World partners.

What are the roots of the world's food imbalance problem?

One of the key factors is, of course, land. And when we talk about land, we must consider how much of it is under cultivation as well as how productive it is -- or how productive it can be made.

The sum total of arable land is surprisingly small. Most recent figures of the Food and Agriculture Organization place the world total at about 1.4 billion hectares, or 3.5 billion acres. That works out at the rate of 1.2 acres for each man, woman, and child in the world.

World averages don't tell all the story, however. In the Southern Area, availability of arable land averages only 1 acre per capita, as compared with 1.7 acres in the Northern Area as a whole. And even area averages cover up wide variations. For example, land availability in Communist Asia works out at 4/10ths of an acre per person, as compared with 3 acres in the United States and Canada. In brief, the fact that the Northern Area has more arable land per person than the Southern helps to explain differences in food availability.

Then, too, as soil conservationists know, "arable" is a word covering a wide range of productivity. Some countries are blessed with large sections of fertile soils -- and good climatic conditions to match. The American Middle West is an example of what I mean. Generally speaking, the lands of the Northern Area are more fertile than those of the Southern Area. Of course, arable lands almost everywhere can be made more productive through good management practices. Good management, featuring use of fertilizer and pesticides, can change productivity dramatically.

There are vast differences in the amount of fertilizer produced and used in various countries of the world -- differences which show up in production levels. For example, in 1958 over 7 million metric tons of plant nutrients were produced in the United States. That was over $5\frac{1}{2}$ times the fertilizer produced that year in all of the Southern Area -- and let me say again that this area includes Latin America, Africa, West Asia, the Far East excluding Japan, and Communist Asia.

We have learned in this country what fertilizer use means in raising crop production levels. For example, Department of Agriculture researchers found a few years ago that the rate of increase in average yield of all crops and pasture was such that one ton of plant nutrients substituted for the production obtained from 10.7 acres. Fertilizer would be extremely important in countries having too little good land in relation to their populations. I doubt that the Southern Area ever can expand food production substantially without stepping up fertilizer output greatly.

The role of technology in raising agricultural production in the Northern Area is well-known. Suffice it to say that technology, including broader and more effective use of fertilizers, has pushed production levels in some developed countries -- notably the United States -- to levels that would have sounded fantastic 40 years ago. I might add that some of the production figures sound fantastic today!

Technological progress is being made in the Southern Area, too. Countries in that area have developed some higher yielding crop varieties. They have improved their cultural practices. They are learning how to combat locusts and other insects with new dusting and spraying techniques. In areas where practicable, they are beginning to use mechanical power. However, in comparison with the production techniques that have evolved in the economically developed countries, the countries of the Southern Area have barely scratched the surface. And their technological shortcomings show up, of course, in the food production balance sheets.

The Communist countries, which are in both the Northern and Southern Areas, are special cases and deserve special comment.

In the Soviet Union a few months ago, the Russian people heard Premier Khrushchev report on something they already were aware of -- that output of meat, milk, grain, and many other products is falling behind national needs.

Soviet agriculture obviously has some serious shortcomings.

Weather is one. Most of the agricultural area of Russia is in the same latitude as Canada; Moscow is almost a thousand miles farther north than Minneapolis. Frosts come early many years; rainfall often is scanty. In the past 5 years the Soviet Union has had three mediocre grain harvests, partly because of unfavorable weather.

The Russian mania for "giantism," has resulted in state and collectivized farms too big for efficient management -- a disadvantage that decentralized subdivision has not completely overcome. The average sown area of collectives was about 6,800 acres in 1960. State farms were even larger, averaging 20,000 acres nationwide, and in the New Lands region of Kazakhstan over 55,000 acres.

Centralized planning has not worked out well. Inflexible directives "from above" give individual farmers small chance to use their own initiative. Valuable experience is lost.

Russian agriculture suffers, it has been said, because Karl Marx was a city boy. Certainly industry comes first in Soviet thinking. And industry gets the lion's share of state funds. This short-changing of agriculture by the bureaucrats means shortages of farm machinery and fertilizer, inadequate irrigation, poor transportation.

But the lack of economic incentive is the real weakness of Soviet agriculture. The Russian farm worker doesn't own even a square foot of the land he tills. The government owns it all. The Russian farmer's cash income is small, even by Russian standards. For that reason, he saves his best efforts for the small garden plot the state sets aside for his use. On this plot he and his family grow vegetables and other crops, and, with feed and pasturage from the state's acres, livestock and poultry. He sells in the cities what the family doesn't use. But even with this extra cash, and food consumed by the family, his total income is very small in relation to the income of farmers in the United States, Canada, Australia, and other economically developed democracies where the basis of agriculture is the privately owned, privately operated family farm.

Weather has been so poor in Mainland China the past few years as to bring the country to the verge of starvation. But weather isn't all. Farmers' initiative has been stifled by a brutal system of agricultural communes -- a system so rigid that it makes Russian collectives and state farms look almost liberal by comparison. It has been reported that the commune system has been relaxed somewhat, but one never knows, because one never gets a chance to visit the country. Almost certainly Chinese farm land has taken a severe beating in recent years. Chinese stewardship of the soil, never very good, probably is even worse under the Communist regime, because Red China, like Russia, concentrates on industry and invests relatively little in agriculture.

It has been reported that, following the collapse of agricultural production, more capital has been invested in agriculture. But, again, one never knows. The one thing we are sure of is this: Red China is buying substantial supplies of grain from Canada, Australia, and other Free World sources.

Cuban agriculture also seems to be falling apart. That's ironical. Castro, you will recall, gained wide support for his Cuban revolution because he promised land reform. He must have bungled the job. Food shortages and rationing are now a fact of daily life on the island. And the sugar harvest this year turned out very poorly. Castro now has announced that land reform has been abandoned -- that Cuban agriculture from now on will be based on state-owned collective farms. Russian "technicians" are pouring into the country, perhaps to show the Cubans how Soviet farmers do it.

In all countries of the world, Free World or Communist, population growth is a factor to be reckoned with. The world's population is increasing at the rate of about 2 percent a year. The population that stood at 2.9 billion in 1958 is now 3.1 billion. By 1966 it is expected to total over 3.3 billion.

Unfortunately, the fastest growth rates are being made in the areas where food supplies are shortest. In those countries, production gains are being cancelled out by the busy stork. As a result, food production in terms of output per capita in the Southern Area today is about the same as the 1935-39 level. Little relief is in sight. The population gain between 1958 and 1966 is expected to be over 18 per cent for the Southern Area as a whole, as compared with an increase of only 10 percent in the Northern Area.

Economic development, or the lack of it, accounts for some of the differences in food consumption levels. Many countries of the Northern Area are able to buy from foreign sources some of their food supplies.

These countries, including such industrialized nations as the United Kingdom, West Germany, Belgium, and Switzerland, produce goods that are sold all over the world and generate the purchasing power needed to buy foodstuffs. The countries of the Southern Area, on the other hand, have predominantly agricultural economies. The purchasing power they generate through exports of food and fiber, or of minerals, oil, and other raw materials, usually goes for imported machinery and equipment required in economic development programs.

As you can see, the Southern Area has difficulties. These, just to tick them off again, include too little land per capita -- a function, of course, of population; relatively poorer land than in the Northern Area and generally less favorable environmental conditions; very low fertilizer use; not enough modern agricultural technology; and a relatively low degree of economic development. The Communist countries, in addition, suffer from regimentation and a lack of economic incentive.

What can the world do about all this? And notice that I say "world," not "United States."

Can we, for example, add new land to the world's agricultural plant? It has been done in recent years. Soviet Russia, for example, added 90 million acres of new lands in the late 1950's. More arable land could be put into production in the Southern Area. There is, however, a limit to the arable land available. And the arable land still remaining has relatively low productivity. It is unlikely that substantially increased food production can be obtained in the food-deficit areas merely by putting additional acres under the plow. This is especially true in the Far East.

What can be done about controlling population growth? Probably very little, at least in the foreseeable future.

Frank W. Notestein, President of the Population Council, told the World Food Forum in Washington last May that continued rapid population growth -- at annual rates of a little over 2 percent -- probably would continue to the end of the century. That would mean a world population of about 4.6 billion people by 1980 and close to 7.0 billion by the year 2000.

As for population control in relation to food supplies, Mr. Notestein has this interesting comment. "A few agriculturalists imply that reductions in the rate of population growth are unnecessary because an ideal application of existing knowledge would produce an unheard of abundance of food. On the other side, a few enthusiasts for birth control assert that, prior to a reduction of birth rates, all gain in production will result in more population rather than more prosperity. The whole truth of course lies in neither camp. Spectacular gains in agricultural production are needed to buy the time necessary for a reduction of the birth rate, and such reductions will be essential if we are to minimize the risk of failure in the field of economic development. The attack on poverty requires not only great increases in production but also an early reduction in population growth."

What can we do about economic development? This is an area where we can function -- and where it is imperative that we do.

Economic development, for one thing, could provide the prosperity and industrial organization enabling the countries of the Southern Area to expand greatly their chemical fertilizer capacity. Fertilizer requires scarce foreign exchange to import; actually, imported fertilizer is out of the question for most farmers in the underdeveloped countries. Fertilizer also is expensive to manufacture when fertilizer-making machinery must be imported. Economic development on a comprehensive scale would enable many food-short countries to establish their own fertilizer-making industries -- and to distribute the fertilizer to individual farms.

Economic development also could bring expansion of irrigation, improved flood control, construction of farm-to-market roads, and erection of food storing and processing facilities. Development along these and similar lines would mean vastly expanded production capabilities in the countries where food supplies are scant.

Economic development plays another role--providing productive employment for the workers of the presently underdeveloped countries. Jobs, which enable people to buy, bring additional development to supply the expanding demand. Development, in brief, creates a whole new up-grading cycle. With jobs, not only in farming but also in manufacturing, transportation, mining, and other non-agricultural pursuits, the people of a country are able to buy the food produced on their own acres or food this is imported.

Fortunately, the world as a whole is in a period of economic development. Growth is rapid in some countries--including Japan, the Western European countries, especially those making up the European Common Market, Canada, and Australia. Eastern Europe, including the Soviet Union, has been moving ahead economically. But economic growth also is taking place in Asia, Africa, and Latin America, much of it made possible by contributions of cash, commodities, and services from the United States, other economically

developed countries of the Free World, and, to a limited extent, from the Communist countries. Growth in the underdeveloped countries is moving rather slowly. But it is moving. And it will continue to move.

What can we do about technical assistance? We can and we are doing much to share our agricultural know-how with the underdeveloped countries. Technical assistance programs are being carried on by the United States in many countries of the world. Other Free World nations are assisting, to some extent through their own efforts, but also through such international mechanisms as the UN Expanded Technical Assistance Program, the Special Fund, Food and Agriculture Organization, and the Colombo Plan.

Today about 1,200 U.S. agricultural technicians are assisting and training technicians in over 50 countries. The U. S. Department of Agriculture and U. S. agricultural colleges have been cooperating in this work. Many hundreds of foreign agriculturalists have come to the United States to see how we do it in the laboratory, on the test plot, and in actual practice at the farm.

Some of the overseas projects are very large. In Pakistan, for example, over a million acres of land in the Rechna Doab project are being reclaimed from salinity and waterlogging. Of its \$35 million estimated cost, more than half is being financed with American aid. If the work in the Rechna Doab is successful, it will serve as a pilot project for implementing Pakistan's master reclamation plan, involving 24 million acres and a reclamation cost of \$1.2 billion. I could cite many other examples of the way the United States is extending a helping hand to underdeveloped Free World neighbors.

I want to turn now, however, to something I mentioned at the beginning of this talk--exports from the food-surplus to the food-deficit countries.

Although I have talked quite a bit about food shortages, I want to make it clear that most countries of the world produce most of the food and feed they consume. On an overall basis, the world's countries fall short of producing their own consumptive requirements by a little less than 10 percent. The difference consists of world food, feed, and fiber exports.

The United States is the world's largest exporter of farm products. And U.S. exports have been trending upward. On a value basis, U.S. agricultural shipments reached a new high peak of \$5.1 billion in fiscal 1962. That was 4 percent above the previous record of \$4.9 billion the previous year. Individual records were set for several commodities--wheat and flour, feed grains, soybeans and soybean meal, poultry meat, and tallow.

Record U. S. agricultural exports last year represent two approaches to foreign consumers.

One approach represents sales of U. S. farm products for dollars, primarily to the economically developed countries--the countries of Western Europe, Japan, and Canada. The value of U. S. farm product exports sold for dollars last year amounted to \$3.6 billion--70 percent of the export total and an all-time high.

The other approach represents exports of U. S. commodities to friendly but dollar-poor countries under the Food for Peace Program, which is largely based on Public Law 480. Food for Peace shipments had a value of \$1.6 billion last year, or 30 percent of total agricultural exports.

Through Food for Peace, U. S. farm products are supplementing the food resources of over 100 countries having a combined population of over 1.3 billion. The largest recipients, on the basis of figures for recent years are, in order, India, Spain, Yugoslavia, Pakistan, Poland, Korea, Brazil, Egypt, and Turkey.

The bulk of the U.S. food is being distributed in needy countries through commercial channels. But there are special programs. U.S. food is reaching 28 million children in 40 countries through school feeding programs. It is being moved rapidly to points of need--by U.S. voluntary agencies and foreign governments--when famine, flood, and other disasters hit. It is being used for refugee feeding and child-care programs.

These Food for Peace shipments obviously are directly helping to correct the imbalance that exists between the food-surplus and food-deficit "worlds." But Food for Peace also is helping indirectly.

Of the \$4.5 billion in U.S. economic assistance extended to all foreign countries in the fiscal year 1961, \$1.5 billion, or a third, represented economic aid growing out of the Food for Peace Program. Most of this aid is represented by loans or grants of foreign currencies by the United States to the underdeveloped countries. These funds are being used for irrigation, reclamation, and reforestation projects; for improvement of railroads, highways, and bridges; for construction of electric power generating facilities; for building new hospitals, clinics, and schools. But food received as donations, or other Food for Peace activities has helped. Food not only underwrites employment and development, but also counters the price inflation that generally accompanies development projects.

The Food for Peace Program, however, is giving us some other benefits. We are creating a healthier, stronger, Free World. That is one of the keystones of our foreign policy. We must be impressing the underdeveloped, agricultural countries of the world with our "green thumb." These nations must be comparing the agricultural skills of the United States--and those of Canada, Australia, New Zealand, and some other Free World countries--with the agricultural ineptness of the regimented Communist countries. I like to think, too, that Food for Peace is building among recipient nations good will for the donor.

There could well be some future, commercial benefits. By stepping up economic growth in today's underdeveloped countries, we are helping them become cash customers for our farm products tomorrow. We needn't apologize for looking ahead to expanded commercial sales. That is the traditional way of doing business and we want to develop it. I am sure that all of the underdeveloped countries are looking forward to the day when they will be able to trade, on a broad scale, through commercial channels. That's off in the future.

Let me say, in conclusion, that the future food supplies of the world will have--as today--their primary basis in the soil. The way we take care of our soil resources today will have much to do with the availability of adequate nutrition for the generations that are still to come. As soil conservationists you have a heavy responsibility--but one that I know you will discharge faithfully.

Not long ago I read a moving passage from William Vogt's book, "Road to Survival," which might well be the credo of conservation-minded people everywhere. Mr. Vogt said, "We must--all of us, men, women, and children--reorient ourselves with relation to the world in which we live. We must learn to weigh the daily news in terms of man's subsistence. We must come to understand our past, our history, in terms of the soil and water and forests and grasses that have made it what it is. We must see the years to come in the frame that makes space and time one--that will keep us strong only as, like Antaeus, we draw our strength from the earth."

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CORN MARKETING AND UTILIZATION ABROAD

Remarks of Raymond A. Ioanes, Administrator, Foreign
Agricultural Service, U. S. Department of Agriculture,
at the 17th Annual Hybrid Seed Corn Industry-Research
Conference, Chicago, Illinois, December 6, 1962

Everybody has good things to say about hybrid corn--and it deserves all the praise it gets. I think that when the agricultural history of this period is finally written, the chapter on hybrid corn should be printed in letters of gold. For farmers, this high-yielding grain has aided immeasurably in maintaining incomes. For consumers, it has helped to assure an abundance of livestock and poultry products--to give real meaning to the slogan, "Food is a bargain." And now, through export trade, hybrid corn is bringing benefits to millions of foreign farmers and consumers.

Hybrid corn has been referred to as a "symbol of abundance." It has been that, certainly, in the United States. But with its influence spreading overseas, the expression should be broadened. I suggest that hybrid corn has become in recent years an "international symbol of American productivity."

Let's pursue that thought a bit.

Our hybrid corn continues to be the envy of Soviet agriculture. Because Russia lacks feed grains, at least in adequate quantities, output of livestock and livestock products has failed to keep up with the wants and needs of the Russian people. Premier Khrushchev said a few years ago, when he was shown some of the hybrid corn produced on the rich soil of Iowa, "We can do better in the Soviet Union." He was talking through his hat, of course. He virtually admitted as much a few months ago when he publicly pointed to the shortcomings of Russian agriculture. We have kept far ahead

of the Soviet Union, not only with our corn but also with most of our other farm products. Our efficiency is a great advantage from a propaganda standpoint--and propaganda, you know, is a real weapon in the Cold War. But propaganda must be backed up with performance. We can perform in the agricultural field; the Communists apparently cannot. Thus, in the uncommitted, underdeveloped countries of the world, where agriculture is the leading, the all-important occupation of the people, the green thumb of Democracy must look awfully good in comparison with the gray thumb of Communism.

This side of the Iron Curtain, our feed grains have become, almost literally, the fuel that is feeding progress. The industrialized countries are more and more turning to us for part of the feed required to maintain their expanding herds and flocks. We are in good position to meet their needs. We have the capacity to produce almost unlimited supplies of good feed. We have in this country, in greater degree than in any other part of the globe, the climate, the soil, the equipment, the science, the technical skills, and the incentive required to produce feed grains efficiently and in large amounts.

Foreign countries need our feed grains; we, in turn, need these countries as outlets for our abundant agriculture and we need their dollars to help counteract the heavy outflow of gold that is creating so many serious economic problems for our nation. When both customer and supplier desire to do business, trade is almost inevitable. I am going to talk about that trade today--about its possibilities and problems.

Feed Grain Exports--the Statistical Picture

Let's look first at the feed grain export statistical picture. It doesn't take much more than a quick peek to see that something dynamic has been happening.

From 7.0 million short tons in 1956-57, our feed grain exports rose to a record 16.2 million tons in 1961-62. That's an increase of 130 percent in the short space of 6 years.

For corn, the record is even more striking. U. S. corn exports increased from 4.3 million short tons (154 million bushels) in 1956-57 to 11.3 million tons (405 million bushels) last year--an increase of 163 percent. The proportion of corn in the feed grain total held at 50 percent for a few years, but in 1961-62 it rose to over 70 percent.

Two other factors deserve comment.

First, exports of feed grains and products had a value of almost \$730 million dollars in 1961-62--larger than any other commodity category except wheat and flour. In other words, our feed grain shipments are running at the rate of about \$2 million dollars a day, 7 days a week. That's big business. It's worth maintaining. It's worth expanding.

Second, our U. S. feeds are moving primarily to the industrialized countries. For example, in 1961-62 our exports to the Common Market countries, United Kingdom, and Japan totaled 10.3 million short tons, or 60 percent of all feed grain shipments. Canada also was an important customer, especially for corn. Bear in mind too, that virtually all of our feed grain exports to these economically developed countries are sold for dollars.

Why Feed Grain Exports are Expanding

What accounts for the big upsurge in demand for U. S. feed grains? This question deserves a pretty complete answer because it will help us understand some of the current problems facing us, as well as some of the longer-range difficulties we must contend with.

Economic development: One factor in the current demand for U. S. feed grains is economic development.

The whole world seems to be in a period of economic growth. I am speaking, of course, about a general tendency rather than a uniform trend. The growth pattern actually is rather uneven. In many countries of Asia, Africa, and Latin America the rate of growth, though perceptible, is very slow. In the advanced, industrialized countries, on the other hand, growth is taking place rapidly. In Japan, the average annual growth of national production has been over 7 percent--as compared with 3 percent in the United States. In Western Europe, the rate has been about 5 percent, and, in Canada, 4 percent.

Economic growth has meant larger real incomes for many of the world's people. The response of these folks, with more money in their pockets than ever before, has been to "eat higher on the hog"--to upgrade their diets. More and more we are seeing a shift towards consumption of the animal proteins--meat, milk, poultry, and eggs. The trend is unmistakable. Almost every year new records are being set for world production of these foods.

The trend toward protein foods has by no means run its course. That's apparent when we compare U. S. consumption rates with those in some of the other industrialized countries. In 1961, per capita consumption of red meats and poultry in the United States totaled 199 pounds. In the Common Market the per capita total was only 113 pounds. The Common Market obviously has some catching up to do.

Expanded herds and flocks in foreign countries have required more feed--much of which has been imported from the United States. As a matter of fact, in 1961-62 U. S. producers supplied about 53 percent of the 30.7 million short tons of feed grains moving in world trade.

Market development: The second major factor in expanded U. S. feed grain exports is market development.

The United States is moving positively to expand foreign sales of feed grains. A favorable economic climate is essential, as I have just pointed out, but a "clincher"--a solid sales effort--is needed if we are to reap the greatest benefits from the opportunities open to us. We can no longer depend on customers to come to us; if we want to step up sales in a big way, we must go to the customer.

The sales effort--market development--is a cooperative program of the U. S. Feed Grains Council and the U. S. Department of Agriculture. It has been a constructive working relationship. The Council, though a relatively new organization, has a forward-looking Executive Committee and a capable staff. I have been greatly impressed by the enthusiastic but businesslike approach the Council has brought to the export expansion task. It has completed much of the groundwork and is now taking up new and continuing development and expansion projects.

Before mentioning market development accomplishments, I want to recognize the fine way your organization--the Hybrid Corn Division, American Seed Trade Association--has supported work of the U. S. Feed Grains Council. Your support has been more than encouragement, important as encouragement is. Your support also has been manifested by substantial cash contributions. This financial help has made possible the continuation of market development on a practical basis. I hope that this financial help can be continued, because, in my opinion, it is money well spent.

Market development "targets" might be summarized this way:

1. Bigger sales to countries already good customers for U. S. feed grains--the Western European countries, for example.

2. Full development of markets now rapidly expanding, as in the case of Japan.

3. Expansion of markets in underdeveloped countries where no markets now exist, as in Latin America.

In Europe, the Council has opened offices in London, Rotterdam, Hamburg, Rome, and Athens. Another office is being opened in Madrid. Projects in effect or contemplated include exchange visits between foreign and U. S. feed grain industry leaders; demonstration centers and exhibits at national and international trade fairs; distribution of graphic, easy-to-read information on U. S. feed grains; technical assistance to livestock industries abroad; provision of information on prices, supplies, and movement of U. S. feed grains; and expansion of U. S. feed grains industry contacts with customers and potential customers abroad.

Let me give you a specific example of effective market development:

Last spring, the Council sponsored the visit to the United States of a Belgian "feed team." These men traveled around the country and got a good look at the efficient way corn and other feed grains are produced in this country. They also saw how relatively small poultry and livestock producers are able to compete through the use of low-priced feeds. After the team members returned to Belgium, they became increasingly unhappy about their own high prices for domestic and imported feed grains. Their feelings were conveyed to other agricultural groups. Before long, vigorous protests were being made to the Belgian Minister of Agriculture. As a result, the Belgian Government lowered the threshold (import) price of corn by \$4 a ton, which has, of course, given us wider access to the Belgian market.

In Japan, the Council's Tokyo office is carrying on a broad range of activities. These include technical assistance to feed manufacturers and livestock producers; feeding trials and demonstrations; market surveys and consumer preference studies; translation and dissemination of information on better feeding practices; and public relations activities, including the sponsoring of visits by key Japanese government and industry people to the United States. One of the Council's representatives is over there now, reviewing the programs and working out ways and means of intensifying the effort.

Japan already is a big customer for our feed grains. From 600,000 short tons in 1956-57, our exports increased to 1.3 million short tons in 1961-62. The increase for corn was from 269,000 short tons to 983,000 over the same period. We are looking forward to even better sales to Japan as a result of the solid market development activities being carried on there.

In Latin America, the Feed Grains Council maintains an office in Bogota, Colombia. Programs are just getting under way "south of the border." Last year, however, the Council entered into a contract with the Colombian Feed Manufacturing Association, under which an estimated 80,000 tons of U. S. feed grains were imported duty free. Programs also are being planned for Venezuela, Peru, and certain Central American countries.

Common Market Problems

We can be cheerful--even enthusiastic--when we look at the general economic picture around the world, and at our market development work. On a long-range basis we are in good shape. But we do have some short-range problems--some of them troublesome.

One of the big hurdles we face today is the agricultural protectionism of the European Common Market, which has been one of our best foreign outlets for feed grains. This is a serious matter. As the Common Market goes, so goes an important part of our feed grain export future.

Characteristics of the Common Market: The Common Market brings together in a single trading area six European countries as full members--France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg--and, since November 1, 1962, an associate, Greece.

Further growth is in the wind. The United Kingdom, Ireland, Denmark, and Norway have applied for full membership. Turkey, Austria, Sweden, Switzerland, Spain, and, just recently, Israel, are seeking associate status. If all these applicants join the Community, and if overseas countries and territories affiliated with them in trade or other capacity are included as associates, the population of the Common Market would be 485 million--far in excess of our U.S. population of about 185 million.

The Common Market is "off and running," so to speak. Industrial goods are flowing freely among member countries, thanks to a 50-percent cut in internal tariffs and complete abolition of quota restrictions.

Basic decisions have been taken in formulating common policies for agriculture, energy, and transport. Most workers are employed. High purchasing power and availability of goods have stimulated buying. Exports to outside countries have risen sharply. Imports are up.

Let me point out that the United States has been and remains a staunch supporter of the Common Market. We supported cooperation among the Western European countries when we initiated the Marshall Plan, back in 1947, and we have favored cooperation ever since. We support the Common Market today because we know that, fundamentally, it is a good development for the United States and for the entire Free World.

Political considerations are involved. The Common Market, an area united economically and which shows promise of one day being united politically, is a strong buffer against Communism. It is an area where capitalism is daily disproving the preachments of Karl Marx. Capitalism in the Common Market is turning out to be good, not bad, for the people. It is giving the people a standard of living such as they have never had before--a standard of living, I might add, that is the envy of the Russian officials who are permitted to travel outside the Iron Curtain.

A strong Common Market will be a more effective partner in sharing with us the great responsibilities of world leadership and in carrying a greater part of the load as we assist Free World development.

Trade considerations are involved too. The Common Market is a great customer for U. S. goods, agricultural as well as industrial. In 1961 the area took 23 percent of total U. S. agricultural exports--close to \$1.2 billion worth out of a \$5.0 billion total. It took 31 percent of U. S. farm product shipments sold for dollars. And if all the countries seeking membership or association had been "in," the Community would have taken 51 percent of our agricultural exports for dollars. This is a good market, obviously. We want to maintain it. We want to expand it if we can--to share in whatever economic growth the area enjoys.

Effects of the Common Agricultural Policy: As I mentioned a moment ago, the Common Market is bringing its widely divergent agricultural economies together in a "common agricultural policy." By 1970 the Common Market hopes to have in effect such measures as control of farm products through common marketing authorities; common prices and abolition of trade barriers within the area; use of funds to finance market operations and subsidize exports; establishment of quality standards; and harmonization of veterinary, plant health, and similar regulations.

A big part of U. S. agricultural trade will not be affected adversely by Common Market policies. This is true of products the Common Market either does not produce at all or produces in small volume, including cotton, soybeans, soya products, tallow, hides and skins, certain fruits and vegetables. These items account for about 70 percent of our shipments to the area on an annual basis. We can expect our exports of these to expand as the Common Market's economy expands.

However, for the other 30 percent of our shipments, amounting to about \$300 million worth on an annual basis--prospects are much less favorable. In this category are wheat, feed grains, rice, poultry, and some other commodities. These are commodities which Common Market farmers feel that they can produce. As a result, protectionist tendencies are at work. Specifically, the Common Market is developing an internal marketing system which will be protected against imports from outside countries by variable import levies, primarily, but also in the case of some commodities, notably poultry, by minimum import or "gate" prices. The idea of variable levies and gate prices is to equalize the price of the imported products with the Common Market's internal domestic prices.

Agricultural Protectionism and the U.S. Response: The United States does not like this agricultural protectionism.

We don't like it because, for one thing, we ourselves have set a good example for the world with our own liberal agricultural import policies. The bulk of competing farm products can enter the U.S. market in competition with U.S. production by paying only a moderate duty. Import controls which limit the quantity of foreign farm products entering the U.S. market are applied today on only five commodities--cotton, wheat and wheat flour, peanuts, certain manufactured dairy products, and sugar, representing altogether only 28 percent of U.S. agricultural production. On four of these items, of course, we likewise control the production in this country, because our output is excessive. It seems that foreign governments should give American agriculture the opportunity to compete on no less favorable terms than we extend to them.

We don't like agricultural protectionism because it endangers the entire fabric of liberal trade. Sometimes it seems as though our trading partners want us to be international-minded when it comes to industrial products but want us, at the same time, to be tolerant about their own protection of their agriculture. The game cannot be played that way. Either the two great economic sectors move forward together in a pattern of liberal trade or both will succumb to protectionism.

We don't like agricultural protectionism, finally, because it hurts us economically. As I said earlier, protectionism has clouded prospects for about 30 percent of the \$1.2 billion worth of farm products we have been shipping to Common Market countries--goods valued at over \$300 million. But that's not all of the story. An "enlarged" Common Market would represent an outlet for about \$2.0 billion dollars worth of agricultural commodities--and 30 percent of that is \$600 million. That gives you an idea of the stakes we are playing for.

How can we help bring about changes in the Common Market's policies.

One thing we can do and have been doing--that is, vigorously letting the Common Market members know how we feel about their protectionist tendencies. Secretary of Agriculture Freeman returned recently from Europe where he set forth in extremely frank terms America's desire for liberal agricultural trade policies. In a speech at Paris he called a spade a spade. If the Common Market ever had any doubts before about our determination to hold our traditional markets, they have no doubts now.

Other American officials have made representations. There will be more of these, not only by Government people but by trade representatives, farmers, and others who have an opportunity to convey American opinions abroad. As representatives of the hybrid seed corn industry, you have contacts with foreigners in their own countries and here at home. I suggest that you use these contacts to put over the idea that we are against agricultural protectionism not just because it is counter to our best interests, but also because self-sufficiency is not the road to a high standard of living anywhere.

But we must always bear in mind the fact that the Common Market countries and other Free World trading partners are sovereign governments. Decisions on trade policies are theirs to make. After we have expressed our opinions, we must follow up with persuasion, and negotiations.

The United States is fully prepared to play its part in carrying forward negotiations aimed at maintaining international trade. The Trade Expansion Act of 1962, passed by the Congress this year and signed by the President, provides much additional bargaining authority. The new legislation gives the President broad authority to negotiate reductions in duties up to 100 percent. There are special provisions which will facilitate negotiating tariff reductions with the Common Market in broad categories of products, agricultural as well as industrial.

The United States has some firm ideas on the direction in which the negotiations should go. As Secretary Freeman said in Paris last month, "I have in mind such measures as establishing a maximum on the variable levy, the negotiation of the level of internal prices, or provisions which would give reasonable assurances that imports would be maintained at some specified level, possibly on a basis that allowed exporters to retain a percentage share of a market." The Secretary also suggested that if trade were in danger of being impaired by time-consuming negotiations, that interim measures should be adopted.

In his Paris talk, the Secretary pointedly called attention to Section 252 of the Trade Expansion Act. This section directs the President to take all appropriate and feasible steps to eliminate unjustifiable import restrictions maintained by any country against U.S. agricultural products. Such steps may include retaliatory action, if necessary, against imports from the country in question, and the withholding of concessions and most favored nation treatment from that country.

If I seem to be placing great emphasis on this matter of market access, bear in mind that the Common Market is our biggest outlet for feed grains. Also remember that the United Kingdom, another extremely good customer, is applying for membership in the Community. Whatever policies are followed by the Common Market as now constituted will profoundly affect the export pattern for feed grains when the Common Market is much larger than it is now.

We are going to keep on negotiating. We work through diplomatic channels; we maintain direct contact with Common Market officials; we negotiate under the General Agreement on Tariffs and Trade. We will do everything we legally and honorably can do to persuade other countries to give our products a fair chance to compete in their market.

Some progress has been made already in the feed grain area. The Common Market, through U.S. representations, has recognized that its common agricultural policy for corn and grain sorghum may unduly hamper trade prospects for non-member supplying countries. The Common Market has agreed that further negotiations on trade access are needed at an early date. Those negotiations will probably take place early in 1963.

Conclusion

We must meet these short-range problems, of course. We don't want them to become entrenched in the international trade structure. That would be one of the worst things that could happen.

But I look for reason to prevail. The people of the world are seeking an improved standard of living. The economic development taking place around the world is showing them the way to that better life. I can't believe that the consumers and industrial leaders of Western Europe, or anywhere else, will be content for long with a policy of uneconomic agriculture self-sufficiency once they become convinced that such a policy is detrimental to their area's best interests.

All in all, I am optimistic about long-range prospects for feed grains. The foreign demand for feed grains is solidly based. It is based, as I have said before, on the wants and needs of millions of people. With a force like that working for us, I am confident that we can eventually overcome the problems that are so troublesome today.

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AMERICAN AGRICULTURAL TRADE POLICY

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Remarks by Raymond A. Ioanes, Administrator, Foreign Agricultural Service, prepared for delivery at the Symposium of Food, People and Trade, Seattle, Washington, January 18, 1963.

Every door-to-door salesman knows that he must get into the customer's house if he is to make a sale. After he gets in, he may or may not make the sale -- a lot depends upon his product and his salesmanship. But getting in is absolutely essential. He doesn't have a prayer if the door is slammed in his face.

The United States does not operate on a door-to-door basis -- but let's face it, we do want to sell our farm products overseas. And we are finding, as salesmen have learned over the years, that getting the door open -- which we call "market access" -- is the first essential step toward trade.

An open door -- or one that is at least pretty well ajar -- was never more important to us than it is today.

The American farmer has a vital stake in the export market. A few figures will show how big the stake is. In fiscal 1962, U. S. agricultural exports reached a record high of \$5.1 billion. Exports accounted for about 15 percent of our farm marketings. They absorbed the production from one out of every five acres harvested.

We shipped 716 million bushels of wheat and wheat flour in fiscal 1962 -- a new record by a wide margin. This represented 58 percent of U. S. 1961 wheat production. Feed grain exports of 14.6 million metric

tons, which also set a record, were equivalent to 29 percent of U. S. 1961 feed grain sales. Cotton exports amounted to a third of the 1961 crop; tobacco, about 30 percent; and soybeans, about a fifth.

Agricultural exports are important to millions of people who depend on agriculture for employment and profits. I speak of warehousemen, transportation workers, food processors, exporters, steamship lines, and many others. The influence of our export programs is felt not just in the rural sections but in communities all over the land.

Our agricultural exports not only have commercial impact but relate directly to our foreign policy. Enormous expenditures have been made in the past few years in an effort to strengthen the Free World. These expenditures have been made for both economic and military aid. The United States, however, has incurred a very large and continuing balance of payments deficit in the process. Export sales of U. S. farm products obviously play a big role in helping to bring dollars back to the U. S. and thereby slow down the heavy outflow of dollars. Backward steps in the export area would create even more serious monetary difficulties for us and complicate our foreign programs even further.

Today I want to talk with you about three major problems confronting American agriculture in its export selling. First, why do some of our customers keep their trade door closed, or only slightly ajar? Second, how are we going to convince them that it ought to be opened? And third, how do we propose to expand our sales after we obtain market access?

As a prelude to an examination of trade problems we face, let's look at trade policies -- our own as well as those of our trading partners.

Trade Problems in General

I want to emphasize at the outset that America's trade philosophy is essentially "liberal." I realize that "liberal" is an overworked word and, perhaps, in some circles, an offensive word. In this case it means "expansive," "nonrestrictive," and "nondiscriminatory." Since enactment of the Reciprocal Trade Agreements Act of 1934, we have been moving toward greater freedom of trade. With passage of the Trade Expansion Act of 1962, which I shall discuss later, we are prepared to move farther and faster in the direction of liberal trade.

What we are saying to our trading partners today is, in effect, something like this: "We are willing to buy your fine cameras, your compact automobiles, your wines and, yes, even your beef and tobaccos and some other items that compete with our own products. But, at the same time, we want you to buy not only our industrial products but also our agricultural products, which we produce abundantly and efficiently and sell at moderate prices. That way, we all will gain."

We are doing much trading on a reciprocal basis. And the trade balance is in our favor. In fiscal 1962 our total exports -- agricultural and industrial -- amounted to \$21.4 billion. Our imports, also agricultural and industrial, totaled \$15.6 billion. (The fact that we had a net deficit in gold and dollars despite our favorable trade balance resulted from our defense and aid abroad, and from unfavorable balances in the investment and services account.)

While considerable progress has been made in recent years in improving international agricultural trade channels, there is no question that the system has worked more effectively for industrial products than for agricultural products. Certainly this is true in our current dealings

with the European Common Market. And Congress and the American public are finding it increasingly difficult to understand why that should be -- why the United States should maintain liberal access for a wide range of competitive imports if a large segment of our own agricultural exports are unduly restricted in foreign markets.

When we talk about trade barriers for farm products, just what do we mean? We mean quantitative restrictions of all types -- the seasonal quota, global quota, outright embargo. There is the import license, which may be used to implement a quantitative restriction, to throw import business to certain favored countries, or to exclude imports completely. And, as a current problem with the Common Market, there are variable levies and gate prices.

There is a tendency, I realize, to say, "Look how pure we are; just compare our purity with the perfidy of all those other fellows." I don't want to do that. In the area of agricultural trade, however, the United States does indeed have a good record. It will stand the closest scrutiny.

More than half of our agricultural imports compete directly with our domestic production. We have import quotas only upon sugar, peanuts, cotton, wheat and certain dairy products, which altogether represent 20 percent of U. S. farm production. What's more, we limit domestic production on these restricted commodities (except for dairy); so no one can accuse us of excluding competitive products in order to clear the tracks for unhampered production of our own.

Some foreign countries with which we deal follow generally liberal trade policies with respect to most agricultural commodities. Some are very restrictive. All of them have erected trade barriers of one kind or another against some products.

You have come up against agricultural protectionism out here in the Northwest.

Several times Canada has used an evaluation-for-duty device under which she assesses the difference between an established minimum price and the import price of a product, putting on top of it a percentage levy on the minimum price. Such a duty on potatoes was found to be contrary to the General Agreement on Tariffs and Trade and was removed just a fortnight ago.

Japan restricts imports mainly by controlling appropriations of foreign exchange available for imports. U. S. wheat, for example, is purchased under a fund allocation system which allots a certain amount of exchange for the buying of grain. The Minister of International Trade and Industry must issue a certificate of approval before a shipment can be accepted.

Some of our most pressing problems exist in regard to the Common Market. The problems loom large because the area as a unit is such an important cash customer for our food and fiber. Last year it bought \$1.2 billion worth of U. S. farm products -- and that amounted to 31 percent of what we sold abroad for dollars.

The Community, since early in 1961, has been striving to assimilate its divergent agricultural economies under a "common agricultural policy." Some decisions with respect to that policy already have been made. Others to be made early this year could have a major effect on our trade prospects.

Our apprehension about these decisions has been heightened by several important moves which have had the effect of tightening the screws upon admission of our farm commodities which compete with their production. One of the important decisions affecting trade, which the Common Market is scheduled to make this spring, involves the establishment of their

target price for grain. This is a crucial decision because the adoption of unreasonably high target prices would undoubtedly stimulate uneconomic production which would replace imports. In addition to the stimulation of yield increases which a high target price would bring, plowing up of grassland and increased grain planting would be encouraged in France.

There is a wide price range between the French support price of about \$2.15 a bushel and the German price of about \$3. We, of course, have been stressing the desirability of the acceptance of the French price level as the eventual target for the whole Community.

We are concerned about prospects for wheat and wheat flour, feed grains, poultry, rice and a few other products which account for some 40 percent of our agricultural exports to the EEC. These are temperate zone commodities which Common Market farmers can produce in increased quantities and which are protected by devices other than fixed tariffs. The most troublesome of these devices is a "variable levy" which, when added to minimum import or "gate" prices, keeps the price of imported products always higher than internal domestic levels in the member countries.

On products the Six do not produce, or produce in small volume, we expect to do all right. Among these are cotton, oilseeds, meal, tallow, hides and skins, and certain fruits and vegetables, which made up about 50 percent of our shipments by value in fiscal 1962. We can look ahead optimistically to a greater trade in these fixed tariff items as the Common Market's economy expands, as it is sure to do. I need to make special mention of apples and pears, which are important export products of the Pacific Northwest. The tariff is bound at a satisfactory level, but quantitative restrictions remain in France, Belgium and Germany.

I am sure some of you are familiar with the strong efforts being made by the U. S. Government to get these restrictions removed. This includes the use of appropriate procedures under the General Agreement on Tariffs and Trade.

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We are not satisfied with tariff levels/in 1961 for certain products such as tobacco and vegetable oils. We have a commitment from the Community to negotiate reductions in the next tariff round. These accounted for the remaining 10 percent of our \$1.2 billion worth of dollar exports to the Common Market in the last fiscal year.

We understand, of course, why countries indulge in agricultural protectionism. In all countries, farmers make up a sizable part of the working force. Even in much of industrialized Western Europe, a fourth of the workers are farmers. The agricultural point of view, you may be sure, is heard in the halls of government -- everywhere -- and it is heeded. So we have trade barriers to contend with. And, as I say, some of the most serious of them are in the Common Market.

What We are Doing to Gain Market Access

What are we doing to gain access to markets?

First and basically, we are negotiating for access. We are not trying to get something for nothing, but, as I suggested earlier, we must insist on getting improved terms of access for our farm commodities in return for concessions on goods we import.

We have at hand as we enter the year 1963 a superb negotiating tool in the new Trade Expansion Act. We have also the procedural standards of the General Agreement on Tariffs and Trade -- the GATT -- on which to negotiate. And we have retaliatory authority under the Trade Act if all else fails.

The 1962 Trade Act gives us authorities we did not have in the Reciprocal Trade Agreements Act of 1934 -- authorities we have never had, as a matter of fact. Now, the President is empowered to make broad tariff concessions and, if necessary, to strike back against unfair treatment by removal of concessions.

The Trade Act permits the President (through Ambassador Herter of the newly-created Office of Special Trade Negotiation) to negotiate reductions of up to 50 percent on duties that were in effect last July 1. Tariffs may be eliminated on items now levied upon at 5 percent or less. A special provision affecting the EEC allows us to cut tariffs to zero on industrial products on which the United States and the Six jointly account for at least 80 percent of world production.

The President is also given authority to reduce tariffs to zero, if the Common Market does likewise, on any agricultural product on which it is determined that such action would help to maintain or expand U. S. exports of the same product.

This last authority, in Section 212 of the Act, might help us, for example, to step up tobacco exports. The U. S. duty on imported cigaret tobacco leaf is about 12.75 cents a pound as compared with the Common Market's proposed 17.2 cent maximum and 13.2 cent minimum on leaf tobacco. A single rate on our exports, or no duty at all, might more than offset any increases in cigaret leaf imports here.

Retaliation is part of the negotiating process, although it is the last step in the process. At the last GATT meeting, for example, we brought charges against France and Italy under Article XXIII of the General Agreement for restricting imports of our fruit and other commodities for which we had "paid" the Community with equivalent concessions. The GATT countries upheld our complaint against France. We suspended our action

against Italy when she removed some restrictions and agreed to consult further on others.

France sold us about \$52 million worth of farm products in fiscal 1962, including \$22 million worth of wine. Our major aim in this process is to encourage removal of the unwarranted trade restrictions, but if this is not possible, then we shall have no alternative but to raise our barriers against French goods.

The French and Italian actions were the first we have taken to withdraw concessions from other GATT partners under the "most favored nation" provision. Belgium and West Germany have also been put on notice that, unless they remove restrictions on certain of our products when current waivers expire, we shall proceed under Article XXIII.

We mean business. We are not trying to put European farmers out of business, but we do mean to maintain access for our products to this important market.

One of the major objectives of our discussions with the EEC is to create a better understanding of the trade issues involved and of the crucial importance of a reasonable settlement. In a sense, we have been saying that these are issues we must face and solve together. They will not disappear. And we have been attacking specific trade problems, for example, the rise in protection given to poultry imports into West Germany.

We are applying constant pressure for freer access to the markets of the Six. President Kennedy himself has taken a personal hand in these representations. In discussing the matter Monday in his State of the Union message, he said that "common economic goals of trade and growth" are the next most pressing concern of the Atlantic Alliance after the common defense.

"This Nation continues to be concerned about its balance of payments deficit, which, despite its decline, remains a stubborn and troublesome problem," Mr. Kennedy said. "We believe, moreover, that closer economic ties among all free nations are essential to prosperity and peace.

"And neither we nor the members of the European Common Market are so affluent that we can long afford to shelter high-cost farms or factories from the winds of foreign competition, or to restrict the channels of trade with other nations of the free world. If the Common Market should move toward protectionism and restrictionism, it would undermine its own basic principles. This government means to use the authority conferred on it last year by the Congress to encourage trade expansion on both sides of the Atlantic and around the world."

We have been working on this matter in close cooperation with the Department of State. I am sure you are familiar with the very active role which Secretary Freeman has played in pressing for more liberal trade treatment.

This is a process which is going to continue for some time. We look forward to a broad tariff and trade negotiation with the Common Market in 1964. It is imperative that that negotiation include a trade package involving both agricultural and industrial products. We must avoid any moves to separate the final settlement of agricultural and industrial products. If we permitted separation, the carrot might very well be gnawed off our trading stick without any settlement of agricultural trade problems.

What is the critical timetable this year?

The Common Market is scheduled to establish target prices on grain for the Community by early spring. An internal grain price set too high will encourage uneconomic production that could sharply reduce our market in time. Once this step were taken, it would be most difficult to reverse. Therefore, we have been urging that the common grain price be set at the lowest possible level, which would be the current French price level.

It is fortunate indeed that we have the General Agreement on Tariffs and Trade as a framework within which to carry on our trade negotiations. GATT, formed in 1948, was based on the premise that the way to build world trade is to conduct it on a multilateral, nondiscriminatory basis, at moderate levels of fixed tariffs.

GATT is far from perfect. But it is a start -- a mechanism through which 44 participating countries are carrying on 80 percent of the world's trade. To date, GATT signatories, in addition to all their other moves in the area of reciprocal trade agreements, have participated in five international "rounds" of tariff cutting. The sixth round of talks, which will probably occur in 1964 -- and coming on the heels of the EEC decisions about a uniform agricultural policy -- promises to be the most critical of all in shaping the future look of world trade.

What Can We Do After Access?

Even with ready access to markets, record food and fiber exports do not "just happen." They are the result of positive, aggressive marketing programs.

Selling farm products for dollars is our historic approach to world marketing. The value of our agricultural exports sold for cash rose \$200 million last year to an all-time record of \$3.6 billion. In addition to dollar sales, we shipped \$1.6 billion worth of commodities to friendly but dollar-short countries under the Food for Peace program.

Expansion of overseas markets for commercial sales is the No. 1 objective of our export programs. We also create customers for the future through Food for Peace and economic aid to underdeveloped peoples and countries. Hungry people with no money in their pockets are not customers. But when you help them to find jobs, or make jobs for them where none existed before, you are not only performing a humanitarian service, but you are also helping to expand and strengthen commercial markets of the world.

People on the West Coast know how important Food for Peace is to our economy. In the past two years, it has absorbed 60 percent of your Western White wheat production. Earlier it was instrumental, through a fortunate combination of humanitarianism and commerce, in helping to develop Japan as America's No. 1 customer for farm goods. Local currency sales and donations of wheat, dry milk and other U. S. commodities helped to change the national eating habits of the Japanese people and triple their per capita consumption of wheat.

Local currency receipts generated in receiving countries by concessional sales of surpluses under Food for Peace are used in part to finance vigorous foreign trade promotion programs to stimulate dollar sales. They are sponsored jointly by the Department of Agriculture and 50 trade and agricultural groups in 48 countries. Among the "cooperators" is your own Western Wheat Associates. The jointly-financed activities include market

research, advertising, distribution of samples, trade-sponsored visits of foreign buyers to the United States, and food exhibits.

More than 100 large food exhibits have been staged in recent years, most often in connection with international trade fairs. Some 50 million potential consumers have seen or tasted the high quality and wide variety of U. S. foods at these foreign exhibitions.

Conclusion

In trade terms, industry and agriculture are completely interrelated. The North Atlantic nations are interdependent, too, politically and militarily as well as economically -- despite occasional diversion. Increased freedom in the flow of all kinds of goods is an essential element in this relationship. Agricultural trade problems must be solved. They must not be permitted to weaken these important relationships which have been so painstakingly put together in the postwar years.

During the period of reconstruction following World War II, the United States accepted substantial import restrictions imposed by many of our partners for balance of payments reasons. Now reconstruction is accomplished in Western Europe and Japan, our biggest dollar markets, and the balance of payments problem has shifted from them to us.

For a decade, the developed countries rebuilt their economic strength from the reserves of the United States. They gained roughly the volume of gold and dollars that we lost. Now that our trading partners are economically healthy, it is time for them to help us stem the outflow of our reserves through reductions in protectionism and thus encourage our exports. This is the sensible course of action. The alternatives

are, of course, further reductions in our foreign expenditures under aid and defense programs, restrictions on imports, and other direct measures designed to reduce the outflow of dollars.

These are not desirable alternatives for they will not bring us closer together with our trading partners. There is a growing appreciation that the solution must come through trade expansion. Although the road ahead is a difficult one, I am confident that we can travel it together to Free World peace and prosperity.

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RECENT COMMON MARKET DEVELOPMENTS AND U.S. AGRICULTURE

An address by Raymond A. Ioanes, Administrator, Foreign Agricultural Service, U. S. Department of Agriculture, before the National Farm Institute, Des Moines, Iowa, February 15, 1963

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January, for some reason, seems to be decision month for the European Common Market. It was in January 1958 that the Common Market got under way as a going organization. Four years later, in January 1962, it launched its common agricultural policy. And in January 1963--a little over a fortnight ago--it decided, on the basis of a veto by France, to reject the United Kingdom's bid for membership.

It seems to me that we can use these Januarys as markers to identify three Common Market phases affecting U. S. and world agriculture. The first, from 1958 through 1961, could be called the "industrial takeoff" period. The second, covering the year 1962, might be termed the "agricultural policy" phase. And the third, which we are just now entering, must be called for want of a better name, "the future."

But let's look at all three phases in some detail.

The 1958-61 period

Europe, from the end of World War II and up to 1956, had learned to cooperate. Cooperation had been encouraged in no small part by the "Marshall Plan," through which some \$13.5 billion in U. S. aid had been poured into Europe between 1948 and 1952. As time went by, as economies strengthened and wartime animosities cooled, a number of cooperative organizations were set up by Western European countries.

In 1956, representatives of France, Western Germany, Italy, and the Benelux countries started negotiations which led, in 1957, to the Treaty of Rome. That Treaty became the blueprint for the most significant of all the moves toward cooperation--the European Economic Community, which we and Europeans usually call the Common Market.

Let me review a few major features of the Common Market. It is, in effect, a United States of Europe. Eventually, as in our own country, there will be no restrictions on movement of goods, capital, services, and workers. Common policies have been or are being worked out for agriculture, energy, transport, and social problems. Procedures have been set up for levying common external tariffs. In many other ways, integration of the separate economies is being carried forward.

The first 4-year stage of the Common Market's 12-year "transition" period got under way January 1, 1958. This stage, devoted primarily to 'industrial integration' turned out to be almost fantastically successful. The economic growth rate soared, exceeding that of either the United Kingdom or of the United States. Goods moved freely, thanks to tariff reductions of 40 percent (now up to 50 percent) on manufactured items traded among member countries, as well as to relaxation of certain quantitative restrictions. Employment and wage rates--and purchasing power, of course--were at record levels. For anybody who was in Europe right after the war, as I was, the difference in economic tempo was almost unbelievable.

As I say, this period was devoted largely to industry. Agricultural problems, as had been anticipated, were complex and required a great deal of study. And difficult problems are often postponed. This happened to the Common Market.

U. S. agriculture shared in the Common Market's growth. With agricultural decisions deferred, the United States continued to deal with Common Market countries as separate national trade units. Because no common agricultural policy had been formulated, the member countries had no tariff advantages; for example, when France sold barley to Western Germany, it paid the same duties we paid. During this period, too, the United States stepped up its market development work, which is carried on through U. S. trade and agricultural groups. Through agricultural exhibits at international trade fairs and elsewhere, advertising, distribution of samples, trade-sponsored visits of foreign buyers to the United States, and other merchandising techniques, millions of foreign consumers became better acquainted with the variety and quality of American food and fiber.

All of these influences combined to swell U. S. agricultural exports to the Common Market. Dollar sales of U. S. farm products to the Community rose from less than \$900 million in fiscal year 1958 to almost \$1.2 billion in fiscal year 1962--an increase of over a third. There were large gains in such products as corn, soybeans, and poultry.

Let me point out that the \$1.2 billion total made up almost a fourth of the record \$5.1 billion volume of farm products exported to all destinations last year -- and about a third of the \$3.5 billion worth of farm products sold abroad for dollars. That is why you heard us talk so much about this market in recent months.

1962

But, as the old adage has it, "Coming events cast their shadows before." We all knew from the start that the Common Market's agricultural decisions would not be postponed indefinitely. By 1960, we began to hear about some of the proposals for a common agricultural policy. What we heard was not encouraging. The inklings we had made it clear that the future for agricultural exports to the Common Market could bring problems of substantial proportions for outside supplying countries.

The Common Market "timetable" provided that major outlines of the common agricultural policy be developed by the end of the first 4-year transition stage; that is, by January 1962. In mid-1961, the Common Market Commission came forward with proposals for a number of agricultural products. When decisions were delayed, pressures for action began to mount. Warnings were sounded that unless a common agricultural policy was developed, the further integration of the industrial sector of the Common Market would be blocked.

I was in Brussels, where Common Market headquarters is located, when the EEC Council of Ministers were engaged in marathon discussions with respect to the common agricultural policy. This was history in the making. And one doesn't often get that close to it. But these are only personal impressions. The decisions themselves are what was important -- and this one was. The whole future of the Common Market hinged on officials "agreeing to agree" on a common agricultural policy.

Final agreement was reached on January 14, 1962. This was beyond the Common Market's timetable, as measured by the calendar. But statesmen have ways of foiling even Father Time. Common Market statesmen stopped the clock at midnight, December 31, 1961. By holding protracted meetings within the "suspended sessions," they finally reached agreement, at least as to outlines.

The common agricultural policy decisions that emerged provided for a variable levy system on wheat and flour, feed grains, poultry meat and eggs, and pork. For fruits and vegetables and wine, a system of common quality standards was devised.

While these agricultural policy meetings were going on in Brussels, tariff negotiations under the General Agreement on Tariffs and Trade were being carried on in Geneva. These Geneva talks had two phases--first, the negotiation of the new EEC common external tariff, and, second, a general reciprocal tariff-cutting exercise. Very early it became obvious that the first phase would be complicated because the EEC had not yet agreed on its Common Agricultural Policy. With respect to the second phase, it was also apparent that the Common Market was armed with greater tariff-cutting authority than the United States. Also, it was apparent that the EEC negotiators would have preferred not to negotiate, or offer any promise of future tariff or trade arrangements, on the variable levy items. As a consequence, the GATT negotiations extended over 18 months.

For an important group of U.S. farm products such as soybeans, meal, cotton, tallow, hides and skins, and fruit and vegetable products, we fared well in the negotiations. Many of the tariffs were eliminated completely and, for the group, the tariff levels fixed were satisfactory. For these items which comprise about half our exports to the Common Market last year, we can look forward to a growing volume of exports in the years ahead.

But the Geneva negotiations were much more difficult for wheat and wheat flour, feed grains, poultry, meat and a few other items. For these commodities, comprising about 40 percent of fiscal year 1962 exports to the Common Market, the EEC was in the process of developing a protective system based on variable import levies. In the case of poultry, the variable levy was to be linked with minimum import or "gate" prices.

The variable levy system equalizes the value of the imported product by bringing its price up to the price of competing items produced in the Common Market. For example, a German importer may want to buy corn from an American exporter. However, the importer must pay the German Government a levy that brings the importer's total cost of imported grain to at least the level of German produced grain. Because this system cancels out any price advantage to the importer of U.S. corn, he tends to buy German grain to the extent that it is available. Under such a system there can be no price competition from imports with grain produced in the Common Market.

During the latter part of the Geneva negotiations, the general outline of the variable levy system was known but not the details. We knew that the competitive position could change materially as exporting and importing countries merged their national systems and exchanged efficiencies. But in actual practice these changes were still off in the future.

In this situation the U.S. and EEC agreed that the time was not right for definitive trade arrangements on the variable items. Instead, so-called stand still agreements were made for wheat, corn, grain sorghums, rice and poultry. They provided that negotiations with respect to trade access would be undertaken at a future date and that the United States would carry forward the value of the then existing tariff bindings to the next bargaining table.

As you can see, there is much infighting in the trade ring. It is difficult but essential fighting. We obviously cannot sell our farm products abroad unless foreign countries allow them to be imported under fair conditions. Obtaining market access, therefore, is the first step toward trade.

In talking about trade access and tariffs, I'm not saying that Common Market agriculture has no right to protection. Of course it does. Our agriculture also requires protection--and gets it. I am saying that overprotectionism is bad. When the Netherlands levied \$14 a metric ton on U. S. flour we fretted about it but recognized it would not stop trade. But now the rate has been lifted to something like \$45 a ton and trade has virtually stopped. And we are fuming. We are fuming because this is overprotectionism. That we don't like.

Another dimension was added to our trade problems in 1962 as the United Kingdom and other European countries became more active in seeking full or associate membership in the Common Market. (Greece actually became an "associate" in November 1962). Instead of an area accounting for \$1.2 billion worth of U. S. agricultural exports, we seemed to be confronted all at once with the possibility of a broadened area -- one currently importing about \$2.0 billion worth of our farm products. We were aware, of course, that any country joining the Common Market would be required to adopt its common agricultural policy.

The interests of other supplying countries were sharpened by these developments in Europe. For all "outside" countries, including not only the United States, but also Canada, Australia, New Zealand, and others, the arithmetic was simple. Actually, it was set forth by Walter Hallstein himself, President of the Common Market, who said, "If Britain should join the Common Market, the enlarged Community of more than 250 million consumers would be the world's largest importer of agricultural produce: It would take almost 70 percent of the world's coarse grain imports, almost 70 percent of all butter imports, nearly 60 percent of all wool imports, and over 50 percent of all meat imports." These figures brought out goose bumps in Departments and Ministries of Agriculture all over the globe. The trade stakes were getting bigger.

Thus it was with great interest, and considerable concern, that U. S. agriculture watched the course of events in Europe. I know that U. S. farmers wanted to see European cooperation broadened and strengthened. But they didn't want agricultural protectionism as the price--a price that would fall heavily on U. S. farmers. U. S. agriculture, inevitably, viewed European Common Market expansion with mixed feelings. That's understandable, I think.

The Common Market's veto of the United Kingdom's membership bid

Samuel Johnson once said, "The present state of things is a consequence of the past." The past explains, in part, the French veto of the United Kingdom's bid for Common Market membership.

In 1956, the Common Market countries invited the United Kingdom to join them in developing the new Community. Britain gave the invitation consideration, but in the end declined. The British Government felt that the political problems involved were too difficult and too numerous to surmount. Britain, for example, had many ties with Commonwealth partners,

including Canada, Australia, New Zealand, India, and Pakistan. Britain's agricultural program was unlike the Common Market's. Britain had a low priced food policy, implemented by imports from Commonwealth sources under a tariff preference system as well as imports from the United States and elsewhere.

Instead of joining the Common Market, Britain in 1959 organized and became a member of the European Free Trade Area. This organization, sometimes called the "Outer Seven" but more often "EFTA," includes ,

in addition to the United Kingdom, Norway, Sweden, Denmark, Switzerland, Austria, and Portugal. EFTA has been submerged for many months by Common Market developments, but it is still a "going" organization, with headquarters at Stockholm.

Governments, like individuals, change their minds. The United Kingdom gradually came around to the view that Britain's ties with the Common Market should be strengthened. The Common Market agreed to explore the matter. Negotiations were begun. Those negotiations were almost successful. But in the end they were not. That's the fact that confronts us today.

The trade future for U.S. agriculture

Where does all this leave U.S. agriculture?

Has our European export market come clattering down about our ears?

By no means, although there are some trouble spots.

This is the way I see the present situation--and I'll discuss it under separate headings.

First, for the period ahead we retain our liberal access to the UK market.

The United Kingdom has traditionally followed liberal agricultural trade policies. American farmers have benefitted. Last year our trade with Britain in such important items as corn, wheat, lard, tobacco, and fruit products amounted to \$460 million, making that country our second best cash customer among individual countries. One of the points in dispute with respect to UK membership was the extent to which the enlarged Community should accord reasonable terms of entry to outside agricultural suppliers. That spirit and the prospect of a continued large export market we retain in the United Kingdom in the current situation.

The future of other European countries now outside the Common Market fold is hard to appraise. Their future depends on attitudes of individual Common Market governments as well as decisions the "outside" countries make themselves. A few signs have already appeared.

Denmark, for example, has cast its lot with the United Kingdom, it has announced. Denmark has considerable agricultural trade with the Common Market as well as with the United Kingdom. In the fiscal year 1962, Britain took 211 million pounds of the total 261 million pounds of butter the Danes exported. On the other hand, the Common Market took 30 percent of Denmark's beef exports, as compared with the United Kingdom's 10 percent. Norway has indicated that it will not press its application for Common Market membership.

Other EFTA countries must be looking at the trade balance scale, as well as weighing such intangible factors as the philosophy of liberal trade versus protectionism, old commercial ties, cultural contacts, and the like. The countries not now aligned with either the Common Market or EFTA--Spain and Turkey--also have decisions to make.

As Americans, we must bear in mind that these are European decisions. These Western European countries are Free World partners. They are sovereign countries. Many are old friends. Above all, we must bear in mind that issues other than agricultural trade are involved--issues such as the molding of nuclear arms policy, development of a European "third force" vis a vis an Atlantic Alliance, and the ever-present danger of Communism. All of these are issues which are being widely debated in Europe today. That is where they have to be settled.

The rejection of U.K. membership focuses attention on the need for a new look at trade opportunities in non-Common Market countries.

The Common Market takes about a third of the farm products we sell for dollars--but let's not forget that other Free World countries take two-thirds. In our pre-occupation with the Common Market, we may have understated the strength of our trade ties with the rest of the world.

In fiscal 1962, sales to the EFTA countries of Western Europe amounted to \$719 million, including the \$460 to the United Kingdom I mentioned earlier. Sales to Japan totaled \$485 million, and to Canada \$430 million.

There are substantial opportunities for expansion in our trade with most of these areas. Japan for example is a rapidly growing market for our feedgrains and soybeans. She could take more if her tariffs were cut further. Canada could take more of our poultry, especially turkeys.

Now that the world trade line-up is known more clearly, we can get on with the job of preparing for the Kennedy round of tariff and trade negotiations. Recent events have dramatized the need for strengthening all our trade ties, so that our eggs are not all in one basket.

We still are faced with the same problem of obtaining access to the Common Market for some of our major farm products.

The U. K.--Common Market impasse has spotlighted some problems in the trade area--but it has not solved them.

In my opinion, we must be completely realistic in our approach to Common Market trade. I think that we can obtain access to the Common Market. But it requires shrewd, tough negotiating.

At the negotiating table, the new authority provided by the Trade Expansion Act of 1962 will be most helpful. The United States intends to use the new trade act to negotiate a great interlocking system of liberal and expanded trade. To achieve this objective, we will have to treat negotiations on agricultural and industrial tariffs, particularly with the Common Market as a single package. Remember that we sell the Common Market over four times as many farm products as we buy from them. We must be prepared to offer concessions on industrial imports in exchange for concessions the Common Market offers us on farm products. It is United States policy to avoid any moves to separate the final settlement of agricultural and industrial products. If we permitted the industrial-agricultural "package" to be separated, we might soon find the carrot gnawed off our trading stick.

But the United States is not proposing to let the industrial sector carry the full burden. In urging liberal international trade policies for farm products, the United States is not urging upon others what it is unprepared to do itself. At the next round of tariff negotiations the United States is prepared to consider, on a reciprocal basis of course, further reduction of U. S. tariffs on agricultural products. I say "further reductions" because the United States already follows a very liberal policy with respect to agricultural imports that compete with our own production. We admit, on an unrestricted basis, imports of such competitive items as fresh and frozen beef and lamb, pork, a large variety of canned meat products, vegetable oils, fruits, vegetables, tobacco, wool, and even feed grains. I am sure, some of you in this audience have felt this competition. Tariffs on these commodities are generally moderate. So we feel that we have every right to ask for access for our products.

At the general round of tariff negotiations, the United States could be asked to subject its own price, production, and trade policies to international review within the context of international commodity arrangements which imposed such obligations equally on all members--both importing and exporting countries. We have much to gain from such a review, provided the obligations exchanged are truly reciprocal.

International commodity arrangements have been suggested as the means of settling trade problems confronting producers of temperate zone farm products, especially grains. The United States^{is} prepared to consider such arrangements for a limited number of products under appropriate conditions. These include a prior understanding as to the objectives and purposes of the agreements, especially firm arrangements for assuring the flow of trade. But we must tie international commodity arrangements, where they are used, into the forthcoming general round of tariff negotiations.

In Conclusion

As I consider our complex trade problems, I sometimes feel a little overwhelmed. But I feel that way, as I say, only sometimes. I believe that man's legitimate aspirations inevitably will be realized. I believe firmly that freedom will prevail because it is man's instinct to be free. I believe, on the same basis, that liberal trade will flourish one day because mankind wants to upgrade standards of living.

The long-term trend of world events favors an expansion of agricultural trade on a liberal basis. The industrialized countries of the world need export outlets, which means that they must produce as efficiently as possible. Industrial nations thus want reasonably priced food; but they can't get it if their own agricultures are sheltered from the effects of international competition. The United States, with an agriculture of unparalleled efficiency, stands to gain in this process of exchange.

As we think about recent developments in Europe, the road to liberal trade seems rough. But time changes all things. Perhaps I am over-optimistic. But I predict that our agricultural trade situation a decade from now will be brighter than seems possible today.

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